

Message Text

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PAGE 01 STATE 158575
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 /026 R

DRAFTED BY NEA/EGY:CAKENNEDY:SEB
APPROVED BY NEA:NAVELIOTES
NEA/EGY:DONEWBERRY
S/S-O:SGOLDSMITH

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FM SECSTATE WASHDC
TO AMEMBASSY CAIRO IMMEDIATE
INFO AMEMBASSY DAMASCUS

C O N F I D E N T I A L STATE 158575

EXDIS

E.O. 11652: GDS

TAGS: EINV, ETRD, EG

SUBJECT: FORD MOTOR PROJECT

REF: A) CAIRO 11195 (NOTAL); B) CAIRO 11089 (NOTAL)

1. WAYNE FREDRICKS, NOW BACK ON THE JOB, CALLED NEA/EGY JUNE 7 TO INFORM US THAT FORD HAD RECEIVED A TELEX FROM OUROUSSOFF RE CURRENT SITUATION BUT THAT FORD HAD NOT REPEAT NOT YET RECEIVED ANY OFFICIAL COMMUNICATION FROM GOE. FROM INFO PROVIDED BY OUROUSSOFF, FREDRICKS FEELS THAT CUSTOMS DIFFERENTIAL AND LOCAL CONTENT ISSUES ARE MOST STICKY. OTHER "CONDITIONS" POSE LESS PROBLEMS.

2. ACCORDING TO FREDRICKS, OUROSSOFF REPORTS GAZARINE AS ADVISING THAT BOYCOTT QUESTION WITH GOE HAS HARDENED. FORD NOW SHOULD NOT EVEN ASK GOE TO LIFT BOYCOTT IN EGYPT SINCE
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ACCEPTANCE OF PROJECT IS SUFFICIENT. ALSO, GOE VERY NEGATIVE ON HELPING FORD WITH CENTRAL BOYCOTT PROBLEM. GAZARINE ALSO QUOTED AS SAYING THAT CONTACTING KAISSOUNI WOULD BE "WASTE OF TIME" BUT THAT ABDEL RAZAK MEGUID PLANNING TO VISIT NEW YORK IN NEAR FUTURE AND FORD MAY WISH TO CONTACT HIM. NEEDLESS TO SAY, FREDRICKS AND WILLIAMS MOST PUZZLED BY THESE DEVELOPMENTS, ESPECIALLY APPARENT SUCCESS

OF MIN INDUSTRY SHAHIN TO GUM UP THE WORKS IN SPITE OF OTHER GOE OFFICIALS' "ASSURANCES" RECEIVED DURING LAST VISIT, INCLUDING ENCOURAGEMENT FROM FAHMY AND PM HIMSELF. FYI. FREDRICKS CONSIDERS GAZARINE A FRIEND AND DOES NOT WISH TO CAUSE HIM TROUBLE RE HIS ADVICE. END FYI.

3. FORD NATURALLY CONCERNED AT ROLE SHAHIN IS PLAYING. HE IS UNKNOWN COMMODITY TO THEM. FORD CONCERNED THAT IF ANOTHER NEGOTIATING SESSION IS HELD WITH EGYPTIANS, THEY MAY BE FACING SHAHIN WHOM THEY HAVE BEEN AVOIDING. FORD WOULD LIKE TO HAVE MORE INFO ON RELATIONSHIP BETWEEN SHAHIN, PM AND SADAT. THEY HAVE HEARD THAT PM WILL NOT OVER-RULE SHAHIN ON ANY CONDITIONS. CURRENTLY, FORD AT ODDS ABOUT WHO IN GOE TO TALK TO. THEY HOPE OFFICIAL GOE COMMUNICATION ON NEW CONDITIONS WILL CLARIFY THIS ISSUE. FREDRICKS PLANS TO DISCUSS MATTER WITH GHORBAL WHEN HE RETURNS (DUE IN WASHINGTON JULY 17).

4. WE, TOO, FIND THESE DEVELOPMENTS DISTURBING. AS RECENTLY AS JUNE 16 DURING VISIT OF DEPUTY CHAIRMAN OF INVESTMENT AUTHORITY, EL-NAZIR, WE WERE ASSURED THAT FORD RESPONSE TO EARLIER GOE LETTER WAS SATISFACTORY AND THAT ECONOMIC GROUP WOULD NOW TAKE MATTER TO HIGHER INVESTMENT COUNCIL (HIC). NOW IT APPEARS THAT ONE MINISTER, SHAHIN, HAS SUCCEEDED IN IMPOSING HIS OBJECTIONS, CONFUSED THE

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ISSUES AND CIRCUMVENTED NEW HIC MECHANISM. WE ASSUME SHAHIN COULD NOT HAVE GOTTEN THIS FAR WITHOUT AT LEAST IMPLICIT SUPPORT OF PM. FAHMY, OF COURSE, HAS NOT BEEN HELPFUL IN BACKING DOWN ON THE BOYCOTT ISSUE, ALTHOUGH IT CERTAINLY WOULD BE A NEW WRINKLE IF GOE HAS DECIDED NOT TO REMOVE FORD EVEN FROM ITS OWN LIST.

5. FREDRICKS SAID THAT HE WOULD BE BACK IN TOUCH WITH US AFTER FORD HAS OFFICIAL WORD FROM GOE AND WE HAVE BOTH CONCRETE PROPOSALS AND A GOE OFFICIAL TO CONTACT (I.E. WHOEVER SIGNS THE COMMUNICATION.)

6. IN THE MEANTIME WE WOULD APPRECIATE YOUR ASSESSMENT OF THE SITUATION. WE ARE INCLINED TO RECOMMEND THAT FORD TRY TO CONTACT KAISOUNI DESPITE GAZARINE'S ADVICE. ALTERNATIVELY, OR PERHAPS IN ADDITION, WE MIGHT CONTACT KAISOUNI FOR HIS EXPLANATION ON THE TURN-OF-EVENTS, ESPECIALLY THE APPARENT CIRCUMVENTION OF HIC, AND TO EXPRESS USG'S CONCERN THAT CONTINUOUS TINKERING COULD LEAD FORD TO WITHDRAW ITS PROJECT, AN EVENT WHICH WOULD NOT IN THE LEAST HELP EGYPT'S IMAGE, ESPECIALLY SINCE SADAT HAS GIVEN PERSONAL ASSURANCES DURING WASHINGTON VISIT THAT INVESTMENT PROJECTS WOULD RE-

CEIVE SERIOUS CONSIDERATION AND THAT HIC WAS ESTABLISHED
TO INSURE THIS. WE WOULD WELCOME YOUR VIEWS ON THIS AP-
PROACH AND YOUR SUGGESTIONS ON HOW BEST TO PROCEED WITH

FORD HERE AND GOE IN CAIRO. OUR FEELINGS NOW ARE THAT
VERY HIGH, PERHAPS HIGHEST, LEVEL REPRESENTATIONS TO
GOE MAY BE JUSTIFIED.

7. FYI. NEITHER WE NOR EGYPTIAN EMBASSY HAVE HEARD IF
KAISSOUNI IS ACTUALLY IN U.S. END FYI.

8. PLEASE INFO EMBASSY DAMASCUS ON FORD PROJECT CABLES.
DEVELOPMENTS IN EGYPT ARE LIKELY TO EFFECT FORD PLANS IN
SYRIA.

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